



UNITED STATES MARINE CORPS  
U.S. MARINE CORPS AIR STATION  
YUMA, ARIZONA 85369-5001

StaO 4860.1  
3AS  
25 Sep 89

STATION ORDER 4860.1A

From: Commanding Officer  
To: Distribution List

Subj: OPERATION OF COMMERCIAL ACTIVITIES (CA) PROGRAM

Ref: (a) OMB Circular A-76 (Revised 4 Aug 83) (NOTAL)  
(b) DOD Directive 4100.33 of 9 Sep 85 (NOTAL)  
(c) MCO 4860.3C  
(d) ABO 4860.1A  
(e) Federal Acquisition Regulation (NOTAL)

Encl: (1) Definitions of Terms  
(2) Milestone Chart for Cost Study Tasks

1. Purpose. To implement the policies established in references (a) through (e) and provide guidelines to determine whether identified Commercial Activities accomplished by Marine Corps Air Station (MCAS) Yuma should be procured from commercial sources or provided by in-house resources. The objective is to ensure that CA functions are accomplished by the most efficient, effective, and economical method of performance (in-house or contract), without sacrificing quality.

2. Cancellation. Station Order 4860.1

3. Definitions. Terms used in this order are defined in enclosure (1).

4. Policy

a. Reference (a) states that it is the policy of the United States Government to rely on competitive private enterprise to supply the products and services it needs, when it is determined that those products/services can be procured more economically, effectively, and efficiently from commercial sources. References (b), (c), and (d) reaffirm this policy, but also recognize that some functions must be performed by government personnel to support national defense and/or because they are inherently governmental. (An example of an exemption from the provisions of the CA program: Recruit Training.) The basic premise of contracting out CA functions is overridden when the cost comparison results justify a continued in-house operation at the least cost to the government.

25 Sep 89

b. It is the policy of the Station to comply with the detailed CA guidance provided in the references.

c. This order does not provide authority to enter into contracts. Guidelines governing contracting for goods and services are set forth in reference (e).

## 5. Responsibilities

a. The Management Engineer is assigned overall program responsibility as the CA Program Manager, while the Supervisor of the CA Section is designated as the CA Program Coordinator.

b. The CA Program Coordinator is assigned responsibility for identifying, interpreting, coordinating, and directing the accomplishment of the program requirements within the established time frames. The Coordinator is responsible for keeping the Program Manager and any affected Functional Managers informed of the changes in and status of the CA Program.

c. The Comptroller Department will be responsible for the Financial impacts on the Station as a result of completed CA studies. The Comptroller Department will also perform reviews on in-house cost packages completed by the CA Section when the scope of a multi-function study is 10 or less positions or when a single function study is less than 20 positions.

d. The Civilian Personnel Manager (CPM) will assist in keeping civilian employee organizations apprised of the CA study actions. The CPM will conduct a MOCK Reduction-in-Force (RIF) when requested by the CA Coordinator. Additionally, the CPM will provide assistance to affected employees in any RIF actions generated by a CA study.

e. Special Staff Officers, when requested by the CA Program Manager and/or the CA Program Coordinator, will ensure that assistance is provided for CA functional efforts under their cognizance. An information copy will be provided to the CA section for any proposed changes/realignments in the mission, staffing, or organizational lines, of an identified CA function under study.

f. The Public Affairs Officer (PAO) will work closely with the local CA Program Coordinator in responding to queries addressing the CA Program. The PAO shall provide information to union officials, installation personnel, local civil officials and the local news media when requested.

25 Sep 89

## 6. Action

### a. Inventory

(1) An annual inventory of CA functions, that are performed in-house or by contract, will be conducted in accordance with guidance provided by CMC (MPRO). Functions exempted from CA study, e.g., functions that are inherently governmental, will be included in the annual inventory.

(2) The CA Program Coordinator will develop and consolidate the information for the annual inventory, and report the required data to CMC (MPRO) via COMCABWEST.

### b. Review

(1) The purpose of the review is to determine whether the present method of performance of a CA function should be continued or whether it should be scheduled for study/analysis for possible changes in method of performance.

(2) Reviews are conducted according to a schedule provided by CMC (MPRO).

(3) Reviews of each CA function will be developed by the functional manager and the CA Coordinator. The completed submission will then be forwarded to the Commanding Officer for approval. The CA Coordinator is responsible for submitting the review to CMC (MPRO) via COMCABWEST within the designated time frames as provided annually by CMC (MPRO).

c. Cost Study Announcements/Approval. One of the decisions resulting from a review may be to announce and schedule the CA function (in-house or contract) for a cost study to determine whether the government or an outside commercial source can provide the product or service at the lesser cost.

(1) CMC (MPRO) will authorize/announce the CA cost studies to be conducted. Local management and cost analysis study actions shall not be initiated until subject authorization is received.

(2) The following efforts, however, may be accomplished prior to the formal authorization/announcement from HQMC:

(a) Generic performance work statements (PWS) that have not specifically been written for the function to be studied, and/or any copy of a published PWS from another command, may be reviewed and studied for revision as appropriate.

(b) Efficiency Reviews may be conducted in overhead areas to streamline those support areas for later costing during the official study.

25 Sep 89

(c) The availability of satisfactory commercial sources may be addressed for planning and scheduling purposes.

(d) A job analysis can be performed on the current operation of the designated function and future projected increases in workload may be identified.

(3) The initiation of the management & cost analysis studies of a CA function will trigger the identification and freezing, for the duration of the study, those vacant civilian positions throughout the function(s). This will minimize adverse personnel actions should the function(s) be converted to contract performance. Requirements to fill positions should be satisfied with temporary hire employees unless substantial justification is provided for hiring on a permanent basis.

(4) No organizational changes without approval from the Commanding Officer will be made to the designated CA function and/or organization from the time it is announced for cost comparison to the time of completion of the study and determination of method of performance (in-house or contract).

d. Performance Work Statement (PWS) Development

(1) The development, coordination, and writing of the job analysis, PWS, appropriate technical exhibits, Schedule of Deductions, contract package, Quality Assurance (QA) Plan, solicitation process, Source Selection Plan, and contract liaison are the responsibility of the CA Section.

(2) The in-house and contractor cost estimates must be based on the same PWS and the same level of performance or volume of work. This requires the preparation of a sufficiently precise PWS, containing a full accounting of all work efforts accomplished by the Function Under Study (FUS), with performance standards that can be monitored for either mode of performance (government/contract). The PWS will describe what is to be done, without prescribing how it is to be done, and shall establish firm standards to which the efforts should be performed/completed.

(3) Utilizing guidelines and assistance provided by the CA section, the cognizant functional official(s) will be responsible for the generation of the data needed to develop the basic draft of the PWS for the CA FUS. As the PWS and the QA Plan are prepared by the CA Section, the cognizant functional official(s) shall also be responsible for reviewing these documents for accuracy and completeness.

25 Sep 89

e. Management Study (MS) and Most Efficient/Effective Organization (MEO) Development

(1) A MS shall be performed to analyze the current method of operation of the functional areas. This study will be used to establish the in-house MEO needed to accomplish the requirements of the PWS.

(2) The CA Section shall conduct the MS to identify essential tasks to be performed, determine performance factors, organizational structure, staffing, and operating procedures for the MEO in-house performance of the CA function(s).

(3) The completed job analysis, as described in reference (a), as well as manpower surveys, previous management studies, union and work force involvement, intra/inter-service support agreements, audit reports, etc, should all be considered in the development of the optimum organization.

(4) The CA Section shall be responsible for the development of a MEO for the FUS. Responsibility for reviewing the MEO is shared by the CA Program Manager and the functional manager. Final approval authority for the MEO is the Commanding Officer. The MEO will be considered confidential, and shall not be made public until the formal cost comparison is accomplished.

(5) When the FUS contains military billets which will be converted to civilian positions should the function remain in-house, action in the early stages of the study will need to be initiated by the CA Coordinator to notify the Station S-1 Department, Comptroller and CMC (MPRO) to assure that the in-house resources (civilian funding and ceiling) will be increased and available when the cost decision is made and implemented, and for the supplemental out years.

(6) If the government-designed MEO requires more resources (civilian ceiling/funding) than are available (exempting the replacement of military personnel as discussed in paragraph 6e(5) above), the PWS and MEO must be revised to reflect achievable levels of effort.

(a) If these reduced levels are not satisfactory, new requirements and/or expansion procedures, where appropriate, may be initiated with comparative cost included in the justification.

(b) CMC (MPRO) will be notified by the CA Program Manager of the intent to pursue the course of action described in (a) above. Approval will need to be received from CMC (MPRO) prior to initiation of any such efforts.

25 Sep 89

(7) If the in-house cost calculation is based on an organization that is different from the authorized organization, and the decision is to continue in-house performance, within thirty (30) days after the cancellation of the solicitation, action must be initiated to implement the MEO. The MEO must be fully in place within six months of solicitation cancellation.

(8) The CA Coordinator shall establish procedures to ensure that the in-house operation, as specified in the MEO, is capable of performing in accordance with the requirements of the PWS. The procedures shall ensure that the resources (facilities, equipment, and personnel) specified in the MEO are available to the in-house operation and that in-house performance remains within the requirements and resources specified in the PWS and MEO for the period of the cost comparison, unless documentation to support changes in workload/scope is available.

(9) A shortened version of the cost comparison form (contained in reference (c)) is permitted for direct conversions of CA functions being performed by 45 or less employees.

f. Preparation and Conduct of the Cost Study

(1) Preparation of the in-house government cost estimate will be the responsibility of the CA Program Coordinator.

(2) The cost analysis will be conducted and the cost estimate will be prepared in accordance with references (a) and (b) and all subsequent updated guidance.

(3) The government cost calculation will be based on an estimate of the MEO and method of operation for in-house performance of the work described in the PWS.

g. Set-Aside Program

(1) CA functions, currently performed by contract as a result of an authorized set-aside procurement, will be reviewed/subjected to a cost comparison analysis under separate contracting guidelines that pertain solely to set-aside procurements.

(2) Requirements for CA studies, designated within the category of set-aside procurement, will be subjected to a cost comparison analysis to determine whether the in-house or contract operations are the most efficient and cost effective.

h. New Requirements and Expansions. Guidance in reporting the "new requirements" and/or "expansions" is provided in the references.

25 Sep 89

i. Additional Program Requirements

(1) As each study is announced, the basic milestone chart contained in enclosure (2) (which gives an overview of the general procedures to be followed during the CA Study), shall be updated to reflect the most current program requirements and time frames. Dates shall be added to it by the CA Program Coordinator and, within 90 days after study announcement, a copy of the dated milestone chart will be forwarded to all affected parties on the Station. Milestones will be updated by the CA Coordinator, as necessary, during the full term of the CA Study.

(2) Program audits, administrative appeals, and decision procedures will be accomplished in accordance with guidance in the references.

(3) It is incumbent upon all Station personnel involved in these CA efforts to maintain the utmost integrity, objectivity, and sensitivity concerning the study, and to avoid any appearance of conflict of interest between government personnel and contractors.

(4) The CA Program Coordinator will consult with civilian employees who would be affected by a CA cost comparison at least monthly during the development and preparation of the PWS and MS.

(a) Employees of the bargaining unit will be represented at the meetings by the local union, National Association of Government Employees (NAGE). Any questions or concerns employees have regarding the CA study of their functional area should be submitted to the local union representative for presentation at the monthly meeting.

(b) Employees who do not fall within the bargaining unit may choose to attend these meetings or designate a representative to attend.

(c) Monthly meetings will be held the 3rd Wednesday of each month in Building 980 conference room at 1300, unless otherwise notified.



C. T. DUNSTAN

By direction

DISTRIBUTION: A

25 Sep 89

DEFINITIONS OF TERMS

1. Commercial Activity (CA) Function. A function operated and managed by the government that provides a product or service obtainable from a commercial source. A CA function can be identified with an organization or a type of work, but must be able to be separable from other functions so as to be suitable for performance either in-house or by contract, and is a regularly needed activity of a continual operational nature, not a one-time activity of short duration associated with support of a particular project.
2. Commerical Activities Review. The process of evaluating a CA for the purpose of determining whether or not a cost comparison will be conducted.
3. Commercial Source. A business or other non-federal activity located in the United States, its territories and possessions, the District of Columbia, or the Commonwealth of Puerto Rico that provides a commercial product or service.
4. Conversion to Contract. The transfer of work from performance by an in-house work force to performance under contract by a commercial source.
5. Conversion to In-House. The changeover of a CA activity from performance under contract by a commercial source to government performance.
6. Cost Study/Cost Comparison Analysis. The process of developing a bid/cost estimate for the government performance of a CA function by in-house personnel, and comparing it to the cost-to-the government for contractor performance, to determine the most cost effective responsible party for accomplishment of the subject function.
7. Directly Affected Parties. Government employees, their representative organizations, and bidders or offerers on the solicitation.
8. Displaced Government Employees. Any government employee affected by conversion to contract operation (including such actions as job elimination, grade reduction, or reduction in rank).
9. In-House Performance of a Completed CA Study. The function staffed with government civilian employees. No military personnel.

ENCLOSURE (1)



10. Expansion. The modernization, replacement, upgrading, or enlargement of a CA function that involves a cost increase exceeding either 30% of the total capital investment or 30% of the annual personnel and material costs. A consolidation of two or more CA functions is not considered an expansion unless the proposed total capital investment, or annual personnel and material costs of the consolidation, exceeds the total from the individual activities by 30% or more.

11. Governmental Function. A function that is related so intimately to the public interest as to mandate performance by government personnel only. The subject functions normally fall into two categories:

a. Discretionary application of Government authority: examples include criminal investigations, prosecutions, and other judicial functions; management of government programs requiring value judgements, as in directing the national defense; management and direction of the military services; conduct of foreign relations; selection of program priorities; direction of Federal employees; regulation of the use of space, oceans, navigable rivers, and other natural resources; and regulation of industry and commerce, including food and drugs.

b. Monetary transactions and entitlements: as in tax collection and revenue disbursements by the government; control of the public treasury, accounts, and money supply; and the administration of public trusts.

12. New Requirement. Newly established need by the government for a commercial product or service.

13. Performance Work Statement (PWS). A document that accurately describes what essential requirements (services, materials, and/or products) and volume thereof are necessary to accomplish the tasks of the FUS. It also contains the standards used to measure the acceptability of the end product or service.

MILESTONE CHART FOR COST STUDY TASKS

1. Commandant of the Marine Corps (MPCO) provides authorization to conduct cost study by announcing same to Congress.
2. PAO is advised to notify local community officials concerning study.
3. The appropriate labor relations advisors are notified of possible consultation requirements with employee organizations concerning the proposed study.
4. All employees that are in the FUS, as well as overhead areas, are briefed to acquaint them with the general time table of the study and the importance of their assistance when requested.
5. Milestone charts with appropriate time frames are developed.
6. Unions are provided with major milestone dates for accomplishment of study.
7. Thorough analyses are made in accordance with DOD guidance to justify government owned/contractor operated (GOCO) operations, and non-related multifunction base operational support (BOS) packages.
8. Naval Audit Service (NAS), Western Division, Facilities Engineering Command (WESTDIV), or Naval Supply Regional Contracting Center (NSRCC) are notified concerning the start of the study.
9. An initial contracting plan is developed. (Plans to use other than firm-fixed price type contracts should not be made without thorough analysis/justification.)
10. Analysts are assigned to accomplish the full Job Analysis as per the Office of Federal Procurement Policy #4.
11. CA Section writes the PWS, Quality Assurance Plans (QAP), Source Selection Plans (SSP) and assists in writing Quality Assurance Staffing Plans (QASP).
12. Preliminary PWS, SSP and QAP are completed. Input is reviewed, edited and combined in single package by CA Section.
13. Preliminary package of PWS and QAP are submitted for review to all activities affected by the study.

ENCLOSURE (2)

25 Sep 89

14. Civilian Personnel Office and Comptroller Department are kept advised of actions taken/anticipated throughout the study, and of time frames that may be changed.
15. The CA Coordinator shall assure that resources will be available for in-house or contract performance by notifying the Comptroller of possible changes in monetary requirements in the outyears due to conversion: (1) of military personnel to civil servants, or (2) to contract operations.
16. Local management is briefed on PWS provisions and possible impact on Command mission.
17. The in-house MEO workforce requirements are developed based on the tasks and standards identified during the job analysis and included in the PWS.
18. New/re-written civilian position descriptions, as needed, are developed to accomplish the work in the PWS, and classification of these positions is developed.
19. MEO is approved by the CO.
20. Military and civilian displaced employee management plans are developed by the cognizant organizations.
21. SF98 is submitted to the Department of Labor for minimum wage determination.
22. The CA Coordinator establishes a Technical Reference Center which contains all publications referenced in the PWS, as well as, applicable historical data for use by the contractor during the solicitation period.
23. Cost estimating guidelines are provided to CA personnel assigned to develop the in-house estimate. All affected activities will be requested to assist in development of cost data when needed.
24. The PWS, SSP and QAP are finalized by the CA section in preparation for printing.
25. Contracting Officer issues contractibility statement.
26. The final government cost estimate is compiled by the CA section, including the supporting narrative, and combined into the in-house bid which is signed by the CO.
27. Applicable portions of the cost comparison form are completed.

ENCLOSURE (2)

28. Compiler of in-house cost estimate signs the cost comparison form and submits it, along with narrative and backup, to the NAS or Station Resource Evaluation Division for audit and review.
29. NAS or Resource Evaluation Division certifies that: costing is completed according to the Cost Comparison Handbook; MEO is appropriate for the work designated in the PWS; QAP is a workable surveillance guide; and the QASP is accurate and complete.
30. The solicitation synopsis is submitted to the Commerce Business Daily.
31. Request-For-Proposal (RFP) or Invitation for Bids (IFB) is issued by the Contracting Office.
32. A preproposal conference and site visit for tentative bidders/offers is planned and hosted by the Station with assistance from the Contracting Office.
33. Government submits audited/approved in-house cost estimate with cost comparison form to the Contracting Officer in a sealed envelope no later than the time established for receipt of initial contractor bids/offers. (Detailed back-up data is retained in the CA section.)
34. Contracting Office to receive and evaluate proposals.
35. Perform Cost Comparison between lowest commercial bid and the Government bid.
36. Notify affected parties of the tentative lowest bidder.
37. Immediately begin fifteen-day appeal period.
38. Submit final decision notification to CMC (MPRO) for approval.
39. Implement contract or in-house MEO.
40. Monitor cost for the cost comparison period.

ENCLOSURE (2)